Stock Code:6616

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of Techcential International Limited:

Opinion

We have audited the consolidated financial statements of Techcential International Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgments, the key audit matters that should be disclosed in this audit report are as follows:

Please refer to note 4(h) "Inventories" for accounting policy related to the valuation of inventories, note 5 for accounting assumptions and estimation uncertainties of inventories and note 6(e) for information related to impairment of inventories of the consolidated financial statements.

Description of key audit matter:

The Group's principal activities are the manufacturing and sales of furniture. As of December 31, 2023, the inventory balance of $191,449 thousand consisted 24% of the total consolidated assets. Valuation of inventory was based on past experience and future sales forecasts, which involved the subjective judgment made by the top management. Therefore, the valuation of inventories was considered to be one of our key audit matters.

How the matter was addressed in our audit:

Our audit procedures included:

- Assessing whether appropriate provision policies for inventories are applied.
- Assessing whether the Group's subsequent measurement of inventories has been evaluated in accordance with the Group's provision policy consistently.
- Assessing the appropriateness of the aging movement by examining the aging analysis of inventories, and relevant documents to verify the aging period.
- Understanding the reasonableness of sales prices adopted by the Group's top management and the changes of the market prices after the reporting date, as well as verifying the sales prices and the calculation of net realizable value by vouching for the source documents of samples; then, determining whether the provision for net realizable value has been appropriately evaluated.
- For inventories with low turnover, examining the sales after the reporting date and assessing the basis on the net realizable value that was adopted to verify the appropriateness of the Group's valuation on provision for inventory obsolescence.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concerned and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Those charged with governance including the Audit committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chung-I Chang and Chia-Chi Chiang.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**
11xx	**Current assets:**				
1100	Cash and cash equivalents (note 6(a))	$ 209,721	27	172,927	22
1110	Current financial assets at fair value through profit or loss (notes 6(b) and 7)	942	-	135	-
1170	Accounts receivable, net (notes 6(c) and (r))	110,373	14	77,322	10
1200	Other receivables (note 6(d))	93	-	500	-
1220	Current tax assets	9,213	1	417	-
1310	Inventories (note 6(e))	191,449	24	225,183	29
1410	Prepayments	22,231	3	18,323	2
1479	Other current assets	2,562	-	4,970	1
	Total current assets	546,584	69	499,777	64
15xx	**Non-current assets:**				
1536	Non-current financial assets at amortized cost (notes 6(b), (i), (k) and 8)	3,825	-	3,969	1
1600	Property, plant and equipment (notes 6(f), (g), (i), (k), 7 and 8)	132,000	17	138,468	18
1755	Right-of-use assets (notes 6(f), (g) and (j))	56,096	7	81,838	10
1780	Intangible assets (note 6(h))	98	-	-	-
1840	Deferred tax assets (note 6(n))	37,619	5	30,042	4
1915	Prepayments for equipment	453	-	2,491	-
1920	Refundable deposits	17,910	2	21,744	3
	Total non-current assets	248,001	31	278,552	36
1xxx	**Total assets**	**$ 794,585**	**100**	**778,329**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
21xx	**Current liabilities:**				
2100	Short-term loans (notes 6(b), (f), (i), 7 and 8)	$ 48,366	6	42,633	5
2120	Current financial liabilities at fair value through profit or loss (notes 6(b), and (l))	-	-	1,641	-
2130	Current contract liabilities (note 6(r))	2,049	-	6,397	1
2170	Accounts payable	81,271	11	33,847	4
2200	Other payables (notes 7)	40,397	5	28,347	4
2230	Current tax liabilities	216	-	8,327	1
2280	Current lease liabilities (notes 6(j) and 7)	23,766	3	25,825	3
2321	Convertible bonds payable, current portion (notes 6(b) and (l))	1,075	-	113,924	15
2322	Long-term loans, current portion (notes 6(b), (f), (k), 7 and 8)	12,307	2	19,587	3
2399	Other current liabilities	2,537	-	22	-
	Total current liabilities	211,984	27	280,550	36
25xx	**Non-Current liabilities:**				
2500	Non-current financial liabilities at fair value through profit or loss (notes 6(b) and (l))	1,572	-	-	-
2531	Convertible bonds payable (notes 6(b) and (l))	107,268	13	-	-
2540	Long-term loans (notes (b), (f), (k), 7 and 8)	13,433	2	23,292	3
2570	Deferred tax liabilities (note 6(n))	7,830	1	2,689	-
2580	Non-current lease liabilities (notes 6(j) and 7)	17,295	2	42,090	5
2670	Other non-current liabilities	4,018	1	4,513	1
	Total non-current liabilities	151,416	19	72,584	9
2xxx	**Total liabilities**	363,400	46	353,134	45
31xx	**Equity attributable to owners of the Company (notes 6(l), (o) and (p)):**				
3110	Common stock	342,319	43	286,342	37
3200	Capital surplus	94,714	12	76,452	10
3300	Retained earnings:				
3310	Legal reserve	84	-	84	-
3320	Special reserve	5,429	1	30,308	4
3350	Unappropriated retained earnings	15,156	2	31,232	4
	Total retained earnings	20,669	3	61,624	8
3410	Exchange differences on translation of foreign financial statements	(30,080)	(4)	(5,429)	(1)
	Total equity attributable to owners of the Company	427,622	54	418,989	54
36xx	**Non-controlling interests**	3,563	-	6,206	1
3xxx	**Total equity**	431,185	54	425,195	55
2-3xxx	**Total liabilities and equity**	**$ 794,585**	**100**	**778,329**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2023		2022	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (note 6(r))**	$ 1,009,798	100	1,154,415	100
5000	**Operating costs (notes 6(e), (f), (g), (j), (m), 7 and 12)**	909,434	90	950,828	82
5900	**Gross profit from operations**	100,364	10	203,587	18
6000	**Operating expenses (notes 6(c), (f), (g), (h), (j), (m), (s), 7 and 12):**				
6100	Selling expenses	54,226	5	93,300	8
6200	Administrative expenses	60,926	6	62,793	6
6300	Research and development expenses	10,664	1	7,416	1
6450	Expected credit loss (reversal of expected credit loss)	188	-	(591)	-
	Total operating expenses	126,004	12	162,918	15
6900	**Operating income**	(25,640)	(2)	40,669	3
7000	**Non-operating income and expenses (notes 6(b), (f), (g), (j), (l) and (t)):**				
7100	Interest income	1,204	-	524	-
7010	Other income	3,766	-	31,202	3
7020	Other gains and losses	(2,288)	-	(12,964)	(1)
7050	Finance costs	(10,279)	(1)	(11,187)	(1)
	Total non-operating income and expenses	(7,597)	(1)	7,575	1
7900	**Profit (loss) before tax**	(33,237)	(3)	48,244	4
7950	**Less: Income tax expenses (benefit) (note 6(n))**	(7,044)	-	21,247	1
8200	**Net profit (loss)**	(26,193)	(3)	26,997	3
8300	**Other comprehensive income (loss):**				
8360	**Item that may be reclassified subsequently to profit or loss**				
8361	Foreign currency translation difference for foreign operations	(24,875)	(2)	28,827	2
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
8300	**Other comprehensive income (loss), net**	(24,875)	(2)	28,827	2
8500	**Total comprehensive income (loss)**	$ (51,068)	(5)	55,824	5
	Net profit (loss), attributable to:				
8610	Owners of the Company	$ (23,774)	(3)	31,232	3
8620	Non-controlling interests	(2,419)	-	(4,235)	-
		$ (26,193)	(3)	26,997	3
	Total comprehensive income (loss) attributable to:				
8710	Owners of the Company	$ (48,425)	(5)	59,098	5
8720	Non-controlling interests	(2,643)	-	(3,274)	-
		$ (51,068)	(5)	55,824	5
	Basic earnings (deficits) per share (expressed in New Taiwan dollars) (note (q))				
9750	Basic earnings (deficits) per share	$	(0.78)		1.04
9850	Diluted earnings (deficits) per share	$	(0.78)		0.97

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company									
			Retained earnings							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2022	$ 286,250	75,279	84	5,617	24,691	30,392	(33,295)	358,626	10,555	369,181
Appropriation and distribution of retained earnings:										
Special reserve	-	-	-	24,691	(24,691)	-	-	-	-	-
Net profit (loss) for the year	-	-	-	-	31,232	31,232	-	31,232	(4,235)	26,997
Other comprehensive income (loss) for the year	-	-	-	-	-	-	27,866	27,866	961	28,827
Total comprehensive income (loss) for the year	-	-	-	-	31,232	31,232	27,866	59,098	(3,274)	55,824
Conversion of convertible bonds	92	98	-	-	-	-	-	190	-	190
Changes in ownership interests in subsidiaries	-	1,075	-	-	-	-	-	1,075	(1,075)	-
Balance at December 31, 2022	286,342	76,452	84	30,308	31,232	61,624	(5,429)	418,989	6,206	425,195
Appropriation and distribution of retained earnings:										
Reversal of special reserve	-	-	-	(24,879)	24,879	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	(2,864)	(2,864)	-	(2,864)	-	(2,864)
Stock dividends on ordinary share	14,317	-	-	-	(14,317)	(14,317)	-	-	-	-
Equity component from convertible bonds issued	-	8,658	-	-	-	-	-	8,658	-	8,658
Net loss for the year	-	-	-	-	(23,774)	(23,774)	-	(23,774)	(2,419)	(26,193)
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(24,651)	(24,651)	(224)	(24,875)
Total comprehensive income (loss) for the year	-	-	-	-	(23,774)	(23,774)	(24,651)	(48,425)	(2,643)	(51,068)
Capital increased by cash	41,660	8,105	-	-	-	-	-	49,765	-	49,765
Share-based payment transactions	-	1,499	-	-	-	-	-	1,499	-	1,499
Balance at December 31, 2023	**$ 342,319**	**94,714**	**84**	**5,429**	**15,156**	**20,669**	**(30,080)**	**427,622**	**3,563**	**431,185**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		2023	2022
Cash flows from (used in) operating activities:			
Profit (loss) before income tax	$	(33,237)	48,244
Adjustments:			
Adjustments to reconcile profit:			
Depreciation expense		36,185	36,257
Amortization expense		24	44
Expected credit loss (reversal of expected credit loss)		188	(591)
Net loss on financial assets or liabilities at fair value through profit or loss		8,136	12,807
Interest expense		10,279	11,187
Interest income		(1,204)	(524)
Share-based payments transaction		1,499	-
Loss (gain) on disposal of property, plant and equipment		(130)	13
Reclassification prepayments for equipment to expenses		1,140	-
Gain on lease modifications		(106)	-
Total adjustments to reconcile profit		56,011	59,193
Changes in operating assets and liabilities:			
Changes in operating assets:			
Financial assets at fair value through profit or loss		602	472
Accounts receivable		(33,239)	(12,166)
Other receivables		375	998
Inventories		33,734	109,693
Prepayments		(3,908)	5,958
Other current assets		2,408	(3,145)
Total changes in operating assets		(28)	101,810
Changes in operating liabilities:			
Financial liabilities at fair value through profit or loss		(6,729)	(11,209)
Contract liabilities		(4,348)	(5,648)
Accounts payable		47,424	(40,044)
Accounts payable to related parties		-	(21,596)
Other payables		9,315	(11,040)
Other current liabilities		2,515	(593)
Total changes in operating liabilities		48,177	(90,130)
Total changes in operating assets and liabilities		48,149	11,680
Total adjustments		104,160	70,873
Cash inflow generated from operations		70,923	119,117
Interest received		1,236	524
Interest paid		(6,714)	(8,052)
Income taxes paid		(13,571)	(18,620)
Net cash flows from operating activities		51,874	92,969
Cash flows from (used in) investing activities:			
Acquisition of property, plant and equipment		(11,253)	(22,000)
Proceeds from disposal of property, plant and equipment		535	669
Decrease (increase) in refundable deposits		3,834	(4,374)
Acquisition of intangible assets		(124)	-
Decrease in other current financial assets		-	7,275
Decrease in prepayments for equipment		828	-
Net cash flows used in investing activities		(6,180)	(18,430)
Cash flows from (used in) financing activities:			
Increase (decrease) in short-term loans		5,733	(71,881)
Proceeds from issuance of convertible bonds		116,680	-
Repayments of bonds		(119,889)	(4,800)
Proceeds from long-term loans		3,515	2,087
Repayments of long-term loans		(20,002)	(25,843)
Payment of lease liabilities		(24,013)	(22,768)
Decrease in other non-current liabilities		(495)	(95)
Cash dividends paid		(2,864)	-
Capital increase by cash		49,765	-
Net cash flows from (used in) financing activities		8,430	(123,300)
Effect of exchange rate changes on cash and cash equivalents		(17,330)	22,314
Net increase (decrease) in cash and cash equivalents		36, 794	(26,447)
Cash and cash equivalents at beginning of period		172,927	199,374
Cash and cash equivalents at end of period	$	209,721	172,927

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Techcential International Limited (the "Company") was established in the Cayman Islands in June 2016. The main purpose of the establishment, which resulted from organizational restructuring, was to apply for listing on the Taipei Exchange (TPEx) in the Republic of China. After the restructuring in October 2016 and acquiring 100% of TC Home SDN. BHD. (TCH) from Techcential SDN. BHD. (TC) in December of the same year, the Company became the holding company of TC and TCH, and became a listed company on the TPEx in the Republic of China (R.O.C.) on January 10, 2018. The Company and its subsidiaries ("the Group") mainly engage in the manufacturing and sales of furniture and wood pellets, rubber wood trading, as well as leasing machinery and equipment. Please refer to note 14 for related information.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2024.

(3) New standards, amendments and interpretations adopted:

(a) The impact of adopting the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C.("FSC").

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reforms - Pillar Two Model Rules”

(b) The impact of IFRS issued by the FSC but not yet effective

The group assessed that the adoption of the following new amendments, effective for the annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Contractual Maturities”
- Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”

● Amendments to IFRS 16 “Lease Liabilities in Sale and Leaseback Transactions”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

● Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

● IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts” and Amendments to IFRS 17

● Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “

● Amendments to IAS 21 “Lack of Exchangeability”

(4) Summary of significant accounting policies:

The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as "the IFRS endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2023	Shareholding December 31, 2022	Note
The Company	Techcential Sdn. Bhd. (TC)	Furniture manufacturing and sales	100.00%	100.00%	
The Company	TC Home Sdn. Bhd. (TCH)	Furniture manufacturing and sales	100.00%	100.00%	
The Company	EHL Cabinetry Sdn. Bhd. (EHL)	Kitchen cabinet manufacturing and sales	89.20%	89.20%	
TC	ESK Biomass Sdn. Bhd. (ESKB)	Wood pellet manufacturing and sales, leasing machinery and equipment	100.00%	100.00%	
TCH	TC Home Corporation (TCH(US))	Management Consultant	100.00%	100.00%	
ESKB	ESK Wood Products Sdn. Bhd. (ESKW)	Rubber Wood processing and sales	100.00%	100.00%	

List of subsidiaries that are not included in the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Except for the differences in an investment in equity securities designated as at fair value through other comprehensive income which are recognized in other comprehensive income, the foreign currency differences are recognized in profit and loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(Continued)

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described above (e.g., held for trading and fair value through profit or loss financial assets managed and evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, that meets the requirements to be measured at amortized cost or fair value through other comprehensive income (FVOCI), as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized costs, accounts receivable, other receivables, other financial assets and refundable deposits).

(Continued)

Loss allowances for bank balances, financial assets at amortized cost, other receivables, other financial assets and refundable deposits are measured by 12-month ECL for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses financial assets carried at amortized cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor or issue;
- a breach of contract such as a default or being more than 90 days past due;
- the lender, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the lender would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually assesses for the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion to ordinary shares, the financial liability is reclassified to equity and no gain or loss is recognized.

(Continued)

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. After initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. When there's fixed production expense being unallocated due to low production capacity and idle equipment, it should be recognized as the cost of goods sold during the period that it occurs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	2～50 years
Machinery and equipment	3～10 years
Transportation equipment	3～5 years
Office equipment	3 years
Other equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and buildings that have a lease term of 12 months or less. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

As a practical expedient, the Group elects not to assess whether all rent concessions that meet all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

For transactions where the Group acts as a lessor, the lease contracts are classified as either finance leases or operating leases based on whether substantially all risks and rewards incidental to the ownership of the leased asset are transferred to the lessee on the lease commencement date. If so, it is classified as a finance lease; otherwise, it is classified as an operating lease. In making this assessment, the Group considers specific indicators, including whether the lease term covers a major part of the economic life of the underlying asset.

(k) Intangible assets

Intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(i) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(ii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The Group held software as intangible assets and amortization of intangible assets is recognized in profit or loss on a straight-line basis over 3 years from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Recognition of Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or service to a customer. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Therefore, the group does not adjust the time value of money in transaction prices.

(n) Government grants and government assistance

The Group recognizes an unconditional government grant related to operating assistance as profit or loss under other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(Continued)

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Group determines that interest or penalties related to income taxes (including uncertain tax treatments) do not meet the definition of income taxes. Therefore, they are accounted for in accordance with IAS 37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that (1) affects neither accounting nor taxable profits (losses) at the time of the transaction; (2) do not incur equal temporary differences that are taxable or deductible.

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group can control the timing of the reversal of the temporary differences and, probably, they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that future taxable profits will probably be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities that intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The new issuance of shares due to capitalization of earnings or capital surplus is adjusted retrospectively. The adjustment is also made retrospectively when the date of capitalization of earnings or capital surplus falls before the issuance date of the financial statement. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(s) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of discrete financial information.

(Continued)

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the subsequent measurements of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2023	December 31, 2022
Cash	$	508	509
Demand and checking deposits		209,213	172,418
Cash and cash equivalents	**$**	**209,721**	**172,927**

Please refer to note 6(u) for the disclosure of interest rate risks and sensitivity analysis of the Group's financial assets and liabilities.

(b) Financial assets and liabilities

(i) Financial assets at fair value through profit or loss – current and non-current

The Group uses derivative financial instruments to hedge certain foreign exchange risks the Group is exposed to arising from its operating activities. As these derivative financial instruments did not qualify for hedge accounting, the Group held the following derivative financial instruments as held-for-trading financial assets as of December 31, 2023 and 2022.

Foreign currency options contracts:

	December 31, 2023				
	Amount (in thousands)		Currency	Maturity dates	Fair value of assets
Foreign currency options bought	USD	1,100	USD to MYR	2024.1.10~2024.3.19	$ 942

Forward exchange contracts:

	December 31, 2022				
	Amount (in thousands)		Currency	Maturity dates	Fair value of assets (liabilities)
Forward exchange sold	USD	200	USD to MYR	2023.1.3	$ 135

Details on derivative financial liability generated due to the issuance of convertible bonds by the Group were as follows:

	December 31, 2023	December 31, 2022
Derivate financial liability		
Corporate bonds payable－call and put options	$ (1,572)	(1,641)
Current	$ -	(1,641)
Non-current	(1,572)	-
Total	$ (1,572)	(1,641)

Please refer to note 6(t) for the amounts recognized in other gains and losses that resulted from remeasurement at fair value.

Please refer to note 6(l) for financial liabilities at fair value through profit or loss components from issuing unsecured convertible bonds.

(ii) Financial assets at amortized cost－non-current

	December 31, 2023	December 31, 2022
Restricted time deposits	$ 3,825	3,969

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets at amortized cost.

1) For credit risk, please refer to note 6(u).

2) As of December 31, 2023 and 2022, the financial assets at amortized costs of the Group had been pledged as collateral for its long-term and short-term borrowings. Please refer to note 8.

(c) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	$ 114,678	81,632
Less: loss allowance	(4,305)	(4,310)
	$ 110,373	77,322

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2023 and 2022. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information, including macroeconomics and relevant industry information.

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its furniture (bedding and kitchen cabinets included) manufacturing and sales, as of December 31, 2023 and 2022 were as follows:

	December 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$ 57,919	0.01	6
Past due 1~30 days	8,140	0.09	7
Over 91 days	984	100	984
	$ 67,043		997

The above accounts receivable amount does not include the total accounts receivable of $20,300 thousand from a sales customer of the group. Due to the unstable assessment of the recovery situation, it is not included in the provision for expected credit losses of the group. A provision for losses has been made in the amount of $452 thousand, and credit insurance has been obtained. The aforementioned accounts receivable of $20,300 thousand were fully collected after the period, and the group assessed that there were no significant credit losses.

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$ 34,444	0.24	83
Past due 1~30 days	15,331	0.54	83
Past due 31~60 days	21,852	4.22	922
Over 91 days	90	100.00	90
	$ 71,717		1,178

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its rubber wood processing and sales, as of December 31, 2023 and 2022 were as follow:

	December 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$ 11,292	0.18	20
Past due 1~30 days	6,229	0.48	30
Past due 31~60 days	4,242	1.23	52
Past due 61~90 days	1,529	2.88	44
Past due 91~120 days	837	4.66	39
Past due 151~180 days	225	13.33	30
	$ 24,354		215

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$ 4,088	0.22	9
Past due 1~30 days	659	0.60	4
Past due 31~60 days	941	1.52	14
Past due 61~90 days	898	3.59	32
Past due 181~210 days	341	24.93	85
Over 210 days	214	100.00	214
	$ 7,141		358

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its wood pellet manufacturing and sales, as of December 31, 2023 and 2022 were as follow:

	December 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$ 103	1.94	2
Past due 1~30 days	131	4.58	6
Past due 31~60 days	121	5.79	7
Over 365 days	2,626	100.00	2,626
	$ 2,981		2,641

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Over 91 days	$ 2,774	100.00	2,774

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The movement in the allowance of accounts receivable was as follows:

		2023	2022
Balance as of January 1	$	4,310	4,667
Impairment losses recognized (reversal gain)		188	(591)
Foreign exchange gain (loss)		(193)	234
Balance as of December 31	**$**	**4,305**	**4,310**

The accounts receivables of the Group were not associated with factoring transactions nor pledged as collaterals.

(d) Other receivables

		December 31, 2023	December 31, 2022
Other receivables	**$**	**93**	**500**

For further credit risk information, please refer to note 6(u).

(e) Inventories

		December 31, 2023		
		Cost	Allowance for loss	Net receivables value
Raw materials	$	79,859	7,745	72,114
Work in process		52,802	2,016	50,786
Semi-finished goods		29,320	11,405	17,915
Finished goods		63,054	12,420	50,634
	$	**225,035**	**33,586**	**191,449**

		December 31, 2022		
		Cost	Allowance for loss	Net receivables value
Raw materials	$	63,323	10,789	52,534
Work in process		26,452	928	25,524
Semi-finished goods		70,074	19,029	51,045
Finished goods		113,436	17,356	96,080
	$	**273,285**	**48,102**	**225,183**

The changes in the aforementioned allowance for loss were as follows:

		2023	2022
Balance as of January 1	$	48,102	23,420
Losses recognized (reversal gain)		(12,658)	22,609
Foreign currency translation effect		(1,858)	2,073
Balance as of December 31	**$**	**33,586**	**48,102**

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For the years ended December 31, 2023 and 2022, in addition to the costs of goods sold, the following loss and revenue were included in the Group's operating costs:

		2023	2022
Provision for inventory devaluation and obsolescence (reversal gain)	$	(12,658)	22,609
Revenue from sale of scraps		(492)	(609)
Loss on inventory write-off		2,654	68
Unallocated manufacturing costs		2,821	5,217
Physical count variance		491	29
	$	(7,184)	27,314

As of December 31, 2023 and 2022, The Group did not pledge the inventory as collateral.

(f) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the years ended December 31, 2023 and 2022, were as follows:

		Land	Buildings and construction	Machinery and equipment	Transportation Equipment	Office Equipment	Other equipment	Construction in progress and equipment to be inspected	Total
Cost or deemed cost:									
Balance on January 1, 2023	$	17,473	84,747	94,399	34,817	10,633	21,441	20,185	283,695
Additions		-	5,748	-	4,240	1,183	1,559	1,094	13,824
Disposal		-	-	(726)	(2,317)	(923)	(12)	-	(3,978)
Reclassification (note)		-	12,846	9,648	1,600	-	-	(19,485)	4,609
Foreign currency translation effect		(766)	(4,084)	(4,315)	(1,596)	(471)	(970)	(521)	(12,723)
Balance at December 31, 2023	$	16,707	99,257	99,006	36,744	10,422	22,018	1,273	285,427
Balance at January 1, 2022	$	16,566	79,539	81,177	25,283	10,066	18,127	7,949	238,707
Additions		-	901	4,191	60	316	1,235	11,402	18,105
Disposal		-	(74)	(1,905)	(73)	(300)	-	-	(2,352)
Reclassification (note)		-	-	6,198	7,888	-	1,009	-	15,095
Foreign currency translation effect		907	4,381	4,738	1,659	551	1,070	834	14,140
Balance at December 31, 2022	$	17,473	84,747	94,399	34,817	10,633	21,441	20,185	283,695
Depreciation and impairments loss:									
Balance at January 1, 2023	$	-	40,796	50,933	27,078	9,422	16,998	-	145,227
Depreciation		-	2,431	6,207	3,488	949	3,255	-	16,330
Disposal		-	-	(332)	(2,317)	(916)	(8)	-	(3,573)
Reclassification (note)		-	-	984	1,120	-	-	-	2,104
Foreign currency translation effect		-	(1,837)	(2,369)	(1,232)	(414)	(809)	-	(6,661)
Balance at December 31, 2023	$	-	41,390	55,423	28,137	9,041	19,436	-	153,427
Balance at January 1, 2022	$	-	36,457	39,206	15,598	8,036	11,445	-	110,742
Depreciation		-	2,287	5,850	2,946	1,158	3,751	-	15,992
Disposal		-	(22)	(1,382)	(23)	(243)	-	-	(1,670)
Reclassification (note)		-	-	4,790	7,344	-	1,009	-	13,143
Foreign currency translation effect		-	2,074	2,469	1,213	471	793	-	7,020
Balance at December 31, 2022	$	-	40,796	50,933	27,078	9,422	16,998	-	145,227
Carrying amounts:									
Balance at December 31, 2023	$	16,707	57,867	43,583	8,607	1,381	2,582	1,273	132,000
Balance at December 31, 2022	$	17,473	43,951	43,466	7,739	1,211	4,443	20,185	138,468

Note: Transferred from right-of-use assets.

There were no significant impairment charges or reversals for the group's property, plant, and equipment as of December 31, 2023 and 2022.

Please refer to note 8 for the disclosure of assets pledged as collateral for loans.

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(g) Right-of-use assets

The Group leases many assets including land, buildings, machinery and equipment, transportation equipment, and other equipment. Information about leases for which the Group as a lessee was presented below:

	Land	Buildings	Machinery and equipment	Transportation Equipment	Other equipment	Total
Cost:						
Balance at January 1, 2023	$ 140	62,301	66,530	4,011	-	132,982
Additions	-	5,993	-	-	-	5,993
Disposals (end of contract)	-	(12,573)	-	-	-	(12,573)
Reclassified to property, plant and equipment	-	-	(3,009)	(1,600)	-	(4,609)
Foreign currency translation effect	(6)	(2,602)	(2,857)	(144)	-	(5,609)
Balance at December 31, 2023	**$ 134**	**53,119**	**60,664**	**2,267**	**-**	**116,184**
Balance at January 1, 2022	$ 134	36,194	69,161	11,543	990	118,022
Additions	135	23,538	-	-	-	23,673
Disposals (end of contract)	(136)	(227)	-	-	-	(363)
Reclassified to property, plant and equipment	-	-	(6,198)	(7,888)	(1,009)	(15,095)
Foreign currency translation effect	7	2,796	3,567	356	19	6,745
Balance at December 31, 2022	**$ 140**	**62,301**	**66,530**	**4,011**	**-**	**132,982**
Accumulated depreciation and impairment losses:						
Balance at January 1, 2023	$ 16	30,102	18,513	2,513	-	51,144
Depreciation	46	13,038	6,175	596	-	19,855
Reclassified to property, plant and equipment	-	-	(984)	(1,120)	-	(2,104)
Disposals (end of contract)	-	(6,339)	-	-	-	(6,339)
Foreign currency translation effect	(2)	(1,452)	(914)	(100)	-	(2,468)
Balance at December 31, 2023	**$ 60**	**35,349**	**22,790**	**1,889**	**-**	**60,088**
Balance at January 1, 2022	$ 104	16,253	15,931	8,580	990	41,858
Depreciation	45	12,749	6,442	1,029	-	20,265
Disposals (end of contract)	(136)	(227)	-	-	-	(363)
Reclassified to property, plant and equipment	-	-	(4,790)	(7,344)	(1,009)	(13,143)
Foreign currency translation effect	3	1,327	930	248	19	2,527
Balance at December 31, 2022	**$ 16**	**30,102**	**18,513**	**2,513**	**-**	**51,144**
Carrying amount:						
Balance at December 31, 2023	**$ 74**	**17,770**	**37,874**	**378**	**-**	**56,096**
Balance at December 31, 2022	**$ 124**	**32,199**	**48,017**	**1,498**	**-**	**81,838**

(Continued)

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(h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2023 and 2022, were as follows:

		Computers and Software
Cost:		
Balance at January 1, 2023	$	701
Additions		124
Disposals		(49)
Foreign currency translation effect		(32)
Balance at December 31, 2023	**$**	**744**
Balance at January 1, 2022	$	665
Foreign currency translation effect		36
Balance at December 31, 2022	**$**	**701**
Amortization:		
Balance at January 1, 2023	$	701
Amortization		24
Disposals		(49)
Foreign currency translation effect		(30)
Balance at December 31, 2023	**$**	**646**
Balance at January 1, 2022	$	622
Amortization		44
Foreign currency translation effect		35
Balance at December 31, 2022	**$**	**701**
Carrying amount:		
Balance at December 31, 2023	**$**	**98**
Balance at December 31, 2022	**$**	**-**

(i) Short-term loans

		December 31, 2023	**December 31, 2022**
Secured bank loans	**$**	**48,366**	**42,633**
Unused credit line	**$**	**63,148**	**246,516**
Interest rate (%)		**3.92~4.09**	**3.67~5.80**

Please refer to note 8 for the information of the collateral for loans.

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(j) Lease liabilities

The carrying value of the lease liabilities of the Group for the years ended December 31, 2019, were as follows:

		December 31, 2023	December 31, 2022
Current	$	23,766	25,825
Non-current		17,295	42,090
Total	**$**	**41,061**	**67,915**

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

		2023	2022
Interest on lease liabilities	**$**	**3,054**	**3,933**
Expenses relating to short-term leases	**$**	**372**	**1,052**

The amounts recognized in the statement of cash flows for the Group was as follows:

		2023	2022
Total cash flows from operating activities	$	(3,426)	(4,985)
Total cash flows from investing activities		(24,013)	(22,768)
Total cash outflow for leases	**$**	**(27,439)**	**(27,753)**

(i) Real estate leases

The Group leases buildings for its office space and warehouse. The leases of office typically run for a period of 2 to 3 years, and of warehouse for 2 to 5 years.

(ii) Other leases

The Group leases machinery and equipment and transportation equipment, with lease terms of two to seven years. The Group has the option to transfer ownership of the vehicles and equipment unconditionally at the end of the contract term.

Due to the Covid 19 pandemic outbreak, the rental payments for certain machinery and equipment, as well as the transportation equipment, were extended. The Group elected not to assess whether the rent concessions were lease modifications, wherein the effect of the changes in the lease liability was reflected in profit or loss.

The Group leases machinery and equipment and buildings, with monthly contracts. These leases are considered short-term leases. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

(k) Long-term loans

The details were as follows:

	December 31, 2023			
	Currency	**Interest rate (%)**	**Maturity date**	**Amount**
Secured loans	MYR	2.46~6.56	2026.2.15~2029.2.1	$ 16,307
Secured loans from lease finance company	MYR	3.60	2026.9.2	2,047
Secured loans from lease finance company	USD	4.73~5.46	2024.5.25	7,386
Subtotal				25,740
Less: current portion				12,307
Total				**$ 13,433**
Unused credit line				**$ -**

	December 31, 2022			
	Currency	**Interest rate (%)**	**Maturity date**	**Amount**
Secured loans	MYR	3.20~6.48	2023.2.1~2029.2.1	$ 17,146
Secured loans from lease finance company	MYR	3.60	2026.9.2	2,827
Secured loans from lease finance company	USD	3.04	2024.5.25	22,906
Subtotal				42,879
Less: current portion				19,587
Total				**$ 23,292**
Unused credit line				**$ -**

Please refer to note 8 for more information on the collateral for loans.

(l) Corporate bonds payable

	December 31, 2023		
	Second unsecured convertible bond	**Third unsecured convertible bond**	**Total**
Total amount of convertible bonds	$ 120,000	120,000	240,000
Less: Discount on convertible bond issuance	6,127	10,416	16,543
Underwriting expense	3,212	3,032	6,244
Discounted present value of bond payable when issued	110,661	106,552	217,213
Cumulative amortization of discount on bonds payable	6,136	716	6,852
Reversal of discount upon exercising put option	3,178	-	3,178
Less: Cumulative amount of put option exercised	118,700	-	118,700
Cumulative converted amount	200	-	200
Ending balance of bonds payable	**$ 1,075**	**107,268**	**108,343**

	December 31, 2022		
	First unsecured convertible bond	**Second unsecured convertible bond**	**Total**
Total amount of convertible bonds	$ 202,000	120,000	322,000
Less: Discount on convertible bond issuance	9,660	6,127	15,787
Underwriting expense	5,126	3,212	8,338
Discounted present value of bond payable when issued	187,214	110,661	297,875
Cumulative amortization of discount on bonds payable	9,814	3,451	13,265
Reversal of discount upon exercising put option	4,924	12	4,936
Less: Cumulative amount of put option exercised	197,152	-	197,152
Cumulative converted amount	-	200	200
Cumulative redeemed amount	4,800	-	4,800
Ending balance of bonds payable	**$ -**	**113,924**	**113,924**

On July 26, 2023 (ex-dividend date), the conversion price of the second unsecured convertible bonds of the Group was $20.60 per share.

The Company issued its second unsecured convertible bond amounting to $121,578 thousand on November 11, 2021, with the approval of the FSC on its application on October 18, 2021. The Group issued its convertible bonds in accordance with IAS 39, which requires the Company to recognize the liability and equity components of convertible bonds separately as follows:

		Second unsecured convertible bond
Discounted present value under effective interest rate method	$	113,873
Embedded derivative financial instruments (put option and call option)		613
Equity component (conversion option)		7,092
	$	**121,578**

The Company issued its third unsecured convertible bond amounting to $120,000 thousand on September 20, 2023, with the approval of the FSC on its application on August 28, 2023. The Group issued its convertible bonds in accordance with regulations, which require the Company to recognize the liability and equity components of convertible bonds separately as follows:

		Third unsecured convertible bond
Discounted present value using the effective interest rate method	$	109,584
Embedded derivative financial instruments (put option and call option)		1,512
Equity component (conversion option)		8,904
	$	**120,000**

(i) Terms of issuing unsecured convertible bonds are as follows:

Second unsecured convertible bonds

1) Coupon rate: 0%

2) Issue period: 3 years (November 11, 2021 to November 11, 2024)

3) Repayment term:

The bonds are repayable in cash upon the maturity of the bonds except for those that were repurchased by the Company, sold back to the Company, or converted to common stock before maturity.

4) Conversion period:

Beginning from three months after the issuance date (February 12, 2022) until maturity (November 11, 2024), the bondholders may convert the bonds into common stock according to the conversion arrangement.

5) The Company's call option (right of redemption):

Beginning from three months after the issuance date (February 12, 2022) until 40 days before maturity (October 2, 2024), if the stock closing price exceeds 30% of the conversion price for 30 consecutive working days, or the remaining amount of bonds payable which have not yet been converted into shares is lower than 10% of the total issue amount, the Company is entitled to send a "bond redemption notification" to bondholders and publish an announcement through the TPEx to exercise its call option.

6) Bondholders' put option:

Bondholders are entitled to exercise the put option beginning from the put date (November 11, 2023), with an exercise price of 101.0025% (which is 0.5% annual yield rate of the put option) of the face value of the bonds. Upon receiving the sell-back request, the Company shall pay the amount to the bondholders by cheque or electronic transfer within 5 working days of the put date.

7) Conversion price and adjustment:

The conversion price at the issuance date was $22.80 (dollars) per share. If there is any increase in the Company's common stock (including but not limited to cash injection by public offering or private offering, capital increase from retained earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split, or cash injection by participating in the issuance of overseas depository receipts) except for increases in shares from conversion of securities in which a stock conversion right or stock warrant was embedded or from issuance of new shares as employees' bonus, the Company shall calculate and adjust the conversion price based on the formula stated in the conversion arrangement before publishing an announcement through the TPEx. The adjustment shall be made at the ex-rights date when issuing new shares. However, the adjustment will be made at the date when the new share subscriptions are fully collected if the issuance of new shares involves share subscription collection. If the issue price of new shares changes after the ex-rights date for issuing new shares, the conversion price should be adjusted based on the revised issue price by using the formula stated in the conversion arrangement. If such a recalculated conversion price is lower than that announced to the public through the TPEx before the ex-rights date for issuing new shares, the Company should re-announce the adjustment of the conversion price through the TPEx.

Third unsecured convertible bonds

1) Coupon rate: 0%

2) Issue period: 5 years (September 20, 2023 to September 20, 2028)

3) Repayment term:

The bonds are repayable in cash upon the maturity of the bonds except for those that were repurchased by the Company, sold back to the Company, or converted to common stock before maturity.

4) Conversion period:

Beginning from three months after the issuance date (December 21, 2023) until maturity (September 20, 2028), the bondholders may convert the bonds into common stock according to the conversion arrangement.

5) The Company's call option (right of redemption):

Beginning from three months after the issuance date (December 21, 2023) until 40 days before maturity (August 12, 2028), if the stock closing price exceeds 30% of the conversion price for 30 consecutive working days, or the remaining amount of bonds payable which have not yet been converted into shares is lower than 10% of the total issue amount, the Company is entitled to send a "bond redemption notification" to bondholders and publish an announcement through the TPEx to exercise its call option.

6) Bondholders' put option:

Bondholders are entitled to exercise the put option beginning from the put date (September 20, 2026 and September 20, 2027), with an exercise price of 101. 51% and 102.02% (which is 0.5% annual yield rate of the put option) of the face value of the bonds. Upon receiving the sell-back request, the Company shall pay the amount to the bondholders by cheque or electronic transfer within 5 working days of the put date.

7) Conversion price and adjustment:

The conversion price at the issuance date was $14.80 (dollars) per share. If there is any increase in the Company's common stock (including but not limited to cash injection by public offering or private offering, capital increase from retained earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split, or cash injection by participating in the issuance of overseas depository receipts) except for increases in shares from conversion of securities in which a stock conversion right or stock warrant was embedded or from issuance of new shares as employees' bonus, the Company shall calculate and adjust the conversion price based on the formula stated in the conversion arrangement before publishing an announcement through the TPEx. The adjustment shall be made at the ex-rights date when issuing new shares. However, the adjustment will be made at the date when the new share subscriptions are fully collected if the issuance of new shares involves share subscription collection. If the issue price of new shares changes after the ex-rights date for issuing new shares, the conversion price should be adjusted based on the revised issue price by using the formula stated in the conversion arrangement. If such recalculated conversion price is lower than that announced to the public through the TPEx before the ex-rights date for issuing new shares, the Company should re-announce the adjustment of the conversion price through the TPEx.

(ii) Financial liabilities measured at fair value through profit or loss are as follows:

	2023			2022
	Second unsecured convertible bond	**Third unsecured convertible bond**	**Total**	**Second unsecured convertible bond**
Balance as of January 1	$ 1,641	-	1,641	864
Add: Addition in this period	-	1,512	1,512	-
Add: Valuation loss	2,741	102	2,816	779
Less: Underwriting Expenses	-	(42)	(42)	-
Less: Put option exercised	(4,355)	-	(4,355)	-
Less: Conversion	-	-	-	(2)
Balance as of December 31	$ -	1,572	1,572	1,641

(iii) The balance of the equity component recorded as capital surplus－stock options are as follows:

	2023			2022		
	Second unsecured convertible bond	**Third unsecured convertible bond**	**Total**	**First unsecured convertible bond**	**Second unsecured convertible bond**	**Total**
Balance as of January 1	$ 6,881	-	6,881	214	6,892	7,106
Add: Addition in this period	-	8,904	8,904	-	-	-
Less: Underwriting Expenses	-	(246)	(246)	-	-	-
Less: Conversion	-	-	-	-	(11)	(11)
Less: Put option exercised	(6,818)	-	(6,818)	-	-	-
Less: Redemption	-	-	-	(214)	-	(214)
Balance as of December 31	$ 63	8,658	8,721	-	6,881	6,881

The second unsecured convertible bondholders are entitled to exercise the put option and request the Group to pay the full amount at the agreed price beginning from the second anniversary after the issuance date (November 11, 2023). The Group reclassified the above convertible bonds to current liabilities on December 31, 2022.

(m) Employee benefits

The Malaysia subsidiaries of the Group follow the Employee's Provident Fund system of Malaysia (EPF) to contribute to their employee retirement savings. Each month, the Group contributes to its employees' benefits by using the employees' salary, and times, a contribution rate of 12%. For employees with a salary under MYR 5,000, the contribution rate is 13%, and for employees who are over 60 years old, the contribution rate is reduced by half. The Group follows the regulations and transfers the contributions to each employee's independent account. These accounts are under the government's management and arrangements. Except for contributing to its employee benefits monthly, the Group has no further obligation.

The pension expenses from defined contribution plans of 2023 and 2022, were paid to the subsidiaries' local government organizations, the details are as follows:

		2023	2022
Operating costs	$	1,494	1,889
Operating expenses		4,693	4,884
	$	6,187	6,773

(n) Income taxes

(i) The components of income tax in the years 2023 and 2022 were as follows:

		2023	2022
Current tax expense (benefit)			
Current period	$	1,004	26,614
Adjustment for prior periods		(4,339)	4,828
		(3,335)	31,442
Deferred tax benefit			
Origination and reversal of temporary differences		(3,709)	(10,195)
Income tax expense (benefit)	$	(7,044)	21,247

Reconciliation of income tax expense (benefit) and profit before tax for 2023 and 2022 was as follows:

		2023	2022
Profit (loss) before income tax	$	(33,237)	48,244
Income tax calculated by a statutory tax rate applied by subsidiaries	$	(3,594)	15,353
Adjustment according to tax act		853	745
Under (over) provision in prior periods		(4,339)	4,828
Current-year losses for which no deferred tax asset was recognized		36	321
Total	$	(7,044)	21,247

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2023	December 31, 2022
Deductible temporary differences	$	25,200	25,466
Tax losses		7,830	8,643
	$	33,030	34,109

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According to Malaysia Finance Bill, which was released in November 2021, the net losses before 2018, as assessed by the tax authorities, are allowed to be offset against the taxable income before the income is taxed. The last deductible year is set for 2028. Starting in 2019, the net losses are to be offset against any future taxable income over a period of ten years for local tax purposes. Such items are not recognized as deferred tax assets since the Group is not likely to have sufficient taxable income in the future to utilize the temporary differences.

The Group's estimated unused loss carry-forwards up to December 31, 2023, were as follows:

Year of loss	Unused amount	Year of expiry
ESKB:		
2019	$ 2,319	2029
2020	3,751	2030
2021	1,380	2031
2022	335	2032
EHL:		
2022	45	2032
	$ 7,830	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred tax assets:

	Provision of doubtful debts	Provision of inventory Obsolescence	Tax loss carryforward	Property Plant and Equipment useful life	Other	Total
Balance at January 1, 2023	$ 369	11,537	9,250	5,918	2,968	30,042
Recognized in profit or loss	48	(3,038)	4,225	2,648	5,192	9,075
Foreign currency translation effect	(17)	(445)	(490)	(312)	(234)	(1,498)
Balance at December 31, 2023	**$ 400**	**8,054**	**12,985**	**8,254**	**7,926**	**37,619**
Balance at January 1, 2022	$ 530	5,620	5,174	3,128	2,626	17,078
Recognized in profit or loss	(183)	5,419	3,665	2,530	192	11,623
Foreign currency translation effect	22	498	411	260	150	1,341
Balance at December 31, 2022	**$ 369**	**11,537**	**9,250**	**5,918**	**2,968**	**30,042**

(Continued)

Deferred tax liabilities:

		Property Plant and Equipment useful life	Other	Total
Balance at January 1, 2023	$	(1,173)	(1,516)	(2,689)
Recognized in profit or loss		(738)	(4,628)	(5,366)
Foreign currency translation effect		67	158	225
Balance at December 31, 2023	**$**	**(1,844)**	**(5,986)**	**(7,830)**
Balance at January 1, 2022	$	(863)	(284)	(1,147)
Recognized in profit or loss		(252)	(1,176)	(1,428)
Foreign currency translation effect		(58)	(56)	(114)
Balance at December 31, 2022	**$**	**(1,173)**	**(1,516)**	**(2,689)**

(iii) Examination and approval

The Company is not required to pay income tax in the country in which it is incorporated; therefore, no filing of income tax returns is needed. As for other subsidiaries, income taxes were filed as follows:

1) Malaysia:

a) According to Malaysia's tax regulations, taxable corporation profit is calculated using the current year's total income, deducted by costs, losses, tax expenses, and other non-taxable items as regulated in relevant tax regulations.

b) The tax rate for both 2023 and 2022 was 24%. If the subsidiary meets the criteria, it would then be eligible for specific tax preferences.

2) United States

According to the Federal tax regulations and North Carolina tax regulations, the Federal tax rates for both 2023 and 2022 were 21%. The tax rate of North Carolina State for both years 2023 and 2022 was 2.5%.

The Group's subsidiaries have declared their income tax through the year 2022 to their local tax agencies.

(o) Share capital and other equity

As of December 31, 2023 and 2022, the total value of authorized ordinary shares each amounted to $500,000 thousand, with a par value of $10 per share; and the total ordinary shares issued were 34,232 thousand and 28,634 thousand, respectively. All payments have been received as of the reporting date.

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Reconciliations of shares outstanding in 2023 and 2022 were as follows:

Unit: thousand shares

	2023	2022
Balance on January 1	28,634	28,625
Issued for cash	4,166	-
Capitalization of retained earnings	1,432	-
Conversion of convertible bonds	-	9
Balance at December 31	34,232	28,634

(i) Issuance of ordinary shares

On July 21, 2012, the company passed the resolution of the board of directors to increase capital by issuing 4,166,000 new shares with a par value of S10 per share at an issue price of $12 per share in cash. The total proceeds amounted to $49,992 thousand and the premium on the issuance of shares, after deducting the cost of $227 thousand and share capital of $41,660 thousand amounting to $8,105 thousand was recorded as capital reserve.

On August 28, 2023, the Company received the approval letter with Ruling No.1120351441 from the Financial Supervisory Commission for this capital increase, with the base date set on October 1, 2023. All issued shares were paid up upon issuance and the relevant statutory registration procedures have since been completed.

A resolution was passed during the shareholders' meeting held on June 21, 2023 to issue 1,431,711 new shares through capitalization of retained earnings amounting to $14,317 thousand, with the base date set on July 26, 2023.

(ii) Capital surplus

The balance of capital surplus was as follows:

	December 31, 2023	December 31, 2022
Premium on issuance of shares	$ 62,609	54,504
Recognition of changes in equity of subsidiaries	3,196	3,196
Share-based payment	4,454	2,955
Issuance of convertible bonds－stock option	8,721	6,881
Stock option of convertible bonds－expired	15,734	8,916
	$ 94,714	76,452

(iii) Retained earnings

According to the amendment of the Company's articles of association, if there is any profit, the Company shall set the following aside for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; and (iii) a special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules. If there should be any remaining profits, subject to the discretion of the Directors, after combining all or part of the accumulated undistributed profits in the previous years and the reversed special surplus reserve, with the current profit after deducting the aforementioned reserves, the combined amount shall be allocated as dividends to the shareholders subject to the discretion of the directors and upon approval by the shareholders. Subject to the Law and the Applicable Public Company Rules, and after having considered the financial, business and operational factors of the Company, the dividends shall not be less than 10% of the profit after tax of the relevant year, provided that if in any year, the Company has net loss or the amount of the accumulated undistributed profits is less than 20% of the paid-in capital of the Company, the Company may not distribute any dividend to the Members. The distribution may be made by way of cash or stock, or a combination of both provided that the cash dividends shall not be less than 10% of the total amount of dividends payable.

Since the Company is engaged in supplying customized products in a specific market and is in its growth stage, the Board shall prepare the dividend proposal by taking into account the profit of the year, overall development, financial plans, capital need, projection of the industry and the Company's prospects, to be proposed during the shareholders' meeting for approval.

1) Special reserve

In accordance with the regulation issued by the FSC, the Company shall set aside a special reserve before earnings distribution, and equal to the net balance of other deductions in shareholders' equity in the current period from net income in the current period and prior to unappropriated retained earnings. The special reserve set aside based on the deductions in shareholders' equity that resulted from prior periods cannot be distributed to shareholders. The Company can distribute the special reserve with an amount not exceeding that of the reversal of such deductions.

2) Earnings distribution

The distribution of 2021 earnings were resolved during the shareholders' meeting on June 29, 2022. Except for the special reserve for the net decrease in other shareholders' equity recorded in accordance with the regulations of the FSC, there are no earnings available for distribution, therefore, no dividends will be distributed.

On June 21, 2023, the shareholders’ meeting resolved to appropriate the 2022 earnings.

These earnings were appropriated as follows:

	2022
Dividends distributed to ordinary shareholders	
Cash	$ 2,864
Shares	14,317
Total	**$ 17,181**

(Continued)

On March 15, 2024, the company proposed at the board meeting not to distribute dividends for the 2023.

The earnings distribution information would be available on the Market Observation Post System.

(p) Share-based payment

The Group's share-based payment transaction for 2023 was as follows:

	New shares reserved for employee subscription
Grant date	September 18, 2023
Number of shares granted	624,900
Contract term (year)	0.1562
Recipients	All employees
Vesting conditions	Immediately vested

(i) Determining the fair value of instruments granted

The Group used Black Scholes Option Pricing Model method in measuring the fair value of the share-based payment at the grant date as follows:

	New shares reserved for employee subscription
Fair value at grant date	2.40
Exercise price	12.00
Duration (years)	0.1562
Expected dividend (%)	-
Risk-free interest rate (%)	1.16

(ii) Details of the employee stock options are as follows:

	2023	
	Weighted average exercise price	**Number of options**
Outstanding at January 1	$ -	-
Granted during the year (number)	12.00	624,900
Exercised during the year (number)	12.00	(624,900)
Outstanding at December 31	-	-
Exercisable at December 31	-	-

(iii) Employee expenses

The cash injection for share-based payment to the Group's employees resulted in the expense of $1,499 thousand recognized in 2023.

There was no capital increase allocated for employees' subscriptions in 2022.

(q) Earnings (deficits) per share

The calculation of basic and diluted earnings (deficits) per share was as follows:

		2023	2022
Basic earnings (deficits) per share:			
Net profit (loss) attributable to owners of partner	$	(23,774)	31,232
Weighted average number of common shares (thousand shares)		30,625	30,061
Basic earnings (deficits) per share (New Taiwan dollars)	$	(0.78)	1.04
Diluted earnings (deficits) per share:			
Net profit (loss) attributable to owners of partner	$	(23,774)	31,232
Potential dilutive effect on common stock			
Loss on remeasurements of embedded derivative instruments		-	779
Expected reduction in interest expense due to bond conversion		-	3,097
Net profit (loss) attributable to owners of a partner for calculating diluted EPS	$	(23,774)	35,108
Weighted average number of common shares (thousand shares)		30,625	30,061
Potential dilutive effect on common stock			
Influence of employee stock remuneration		-	236
Conversion of convertible bonds		-	5,818
Weighted-average number of common shares outstanding －diluted		30,625	36,115
Diluted earnings (deficits) per share (New Taiwan dollars)	$	(0.78)	0.97

For the year ended December 31, 2023, the potential common shares outstanding were not disclosed as they had an anti-dilutive effect.

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(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023					
		Department A	Department B	Department C	Department D	Total
Primary geographical markets						
United States	$	841,174	69,190	-	-	910,364
Malaysia		5,492	3,121	56,330	1,280	66,223
China		16,631	-	-	-	16,631
Other		16,580	-	-	-	16,580
	$	879,877	72,311	56,330	1,280	1,009,798
Major products/services lines						
Bedding manufacturing and sales	$	883,070	-	-	-	883,070
Kitchen cabinet manufacturing and sales		-	73,243	-	-	73,243
Rubberwood processing and sales		-	-	56,553	-	56,553
Rental income		-	-	-	1,307	1,307
Less: Sales returns and discount		3,193	932	223	27	4,321
Net sales	$	879,877	72,311	56,330	1,280	1,009,798

	2022				
		Department A	Department B	Department C	Total
Primary geographical markets					
United States	$	756,742	254,229	-	1,010,971
Malaysia		17,942	9,713	54,905	82,560
Other		60,884	-	-	60,884
	$	835,568	263,942	54,905	1,154,415
Major products/services lines					
Bedding manufacturing and sales	$	840,929	-	-	840,929
Kitchen cabinet manufacturing and sales		-	265,063	-	265,063
Rubberwood machining and sales		-	-	55,025	55,025
Less: Sales returns and discount		5,361	1,121	120	6,602
Net sales	$	835,568	263,942	54,905	1,154,415

(ii) Remaining balances of contract

		December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivables	$	114,678	81,632	69,232
Less: Loss allowance		4,305	4,310	4,667
Total	$	110,373	77,322	64,565
Contract liabilities	$	2,049	6,397	12,045

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were $6,114 thousand and $11,647 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

For notes and accounts receivable, please refer to note 6(c).

(s) Employee and directors' remuneration

According to the amendment of the Company's articles of incorporation, no less than 3% of current-year profit income before tax excluding employee's compensation shall be distributed as employee compensation and no more than 5% of it as remuneration of directors. However, if the Company has an accumulated deficit, the profit should be used to offset the deficit. Compensation and remuneration shall be made by way of cash but may also be made by stock. The recipients of stock and cash may include the employees of the Company's affiliated companies who meet certain conditions decided by the Board of Directors of the Company.

The Company incurred losses in 2023, no remunerations were accrued for 2023. For the year ended December 31, 2022, the Company's remunerations to its employees, as well as directors and supervisors, amounted to $3,230 thousand and $141 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses in current years. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distribution for 2023 and 2022. Related information would be available at the Market Observation Post System.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

		2023	2022
Interest income	$	1,204	524

(ii) Other income

The details of other income were as follows:

		2023	2022
Settlement of insurance claim	$	2,543	29,012
Government grants		249	1,144
Others		974	1,046
Total	$	3,766	31,202

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(iii) Other gains and losses

The details of other gains and losses were as follows:

		2023	2022
Gains (losses) on disposals of property, plant and equipment	$	130	(13)
Gains on lease modification		106	-
Gains on foreign exchange		8,006	1,029
Losses on financial assets (liabilities) at fair value through profit or loss		(8,136)	(12,807)
Others		(2,394)	(1,173)
Total	**$**	**(2,288)**	**(12,964)**

(iv) Finance costs

The details of finance costs were as follows:

		2023	2022
Interest expense:			
Bank loans	$	(3,824)	(4,157)
Lease liabilities		(3,054)	(3,933)
Convertible bonds		(3,401)	(3,097)
Total	**$**	**(10,279)**	**(11,187)**

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The book value of financial assets represents the maximum risk exposure.

2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. These factors may influence credit risk, particularly in the current deteriorating economic circumstances. The Group's accounts receivable is concentrated on three main customers, which accounted for 73% and 76% of the total amount of accounts receivable as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, the Group's accounts receivable concentrated on three main customers were $80,897 thousand and $58,933 thousand, respectively.

(Continued)

3) Credit risk of accounts receivable and financial assets measured at amortized cost

Please refer to note 6(c) for information on the credit risk of accounts receivable.

Please refer to note 6(b) for details on financial assets measured at amortized cost and refer to note 6(d) for details on other receivables. Financial assets measured at amortized cost, other receivables and refundable deposits are determined to have low credit risk, therefore, they are measured using the 12-month ECL allowance method.

(ii) Liquidity risk

The following table shows the maturity of financial liabilities including estimated interest:

		Amount	Contractual cash flows	Less than 1 year	2~5 years	Over 5 years
December 31, 2023						
Non derivative financial liabilities						
Short-term loans	$	48,366	48,658	48,658	-	-
Accounts payable		81,271	81,271	81,271	-	-
Other payables		40,397	40,397	40,397	-	-
Long-term loans		25,740	27,244	13,287	13,779	178
Lease liabilities		41,061	43,435	25,563	17,872	-
Convertible bonds payable (include derivative financial liabilities)		109,915	123,535	1,111	122,424	-
	$	346,750	364,540	210,287	154,075	178
December 31, 2022						
Non derivative financial liabilities						
Short-term loans	$	42,633	45,124	45,124	-	-
Accounts payable		33,847	33,847	33,847	-	-
Other payables		28,347	28,347	28,347	-	-
Long-term loans		42,879	46,105	21,117	23,216	1,772
Lease liabilities		67,915	73,440	29,042	44,398	-
Convertible bonds payable (include derivative financial liabilities)		115,565	120,000	120,000	-	-
	$	331,186	346,863	277,477	67,614	1,772

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Currency risk exposure

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency (in thousands)	**Exchange rate**	**Amount**	**Foreign currency (in thousands)**	**Exchange rate**	**Amount**
Financial assets						
Monetary items						
USD	$ 7,004	30.74	215,316	5,864	30.75	180,341
Financial liabilities						
Monetary items						
USD	389	30.74	11,963	1,242	30.75	38,198

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on accounts receivables.

A 0.25% strengthening (weakening) of the TWD and MYR against the USD as at December 31, 2023 and 2022, would have decreased (increased) the net profit before tax for the years ended December 31, 2023 and 2022 by $508 thousand and $355 thousand, respectively.

3) Foreign exchange gain and loss on monetary items

Due to the different types of functional currency of the Group, the Group discloses its exchange gains and losses of monetary items aggregately. The Company's exchange gain, including realized and unrealized, were $8,006 thousand and $1,029 thousand for the years ended December 31, 2023 and 2022, respectively.

(iv) Interest rate analysis

The Group's financial liabilities and the restricted time deposits interest rate exposure was due to interest rate fluctuation.

If the interest rate had increased/decreased by 1%, the Group's net income before taxation would have decreased/increased by $703 thousand and $815 thousand for the years ended December 31, 2023 and 2022.

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(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss are measured at fair value regularly. The book value and the fair value of financial assets and financial liabilities, including fair value hierarchy disclosures (excluding financial instruments in which their book value is not measured at fair value, but represents a reasonable approximation of their fair value, or lease liabilities, as disclosure for such instruments is not required), are as follows:

	December 31, 2023				
		Fair value			
	Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured of fair value through profit or loss					
Derivative financial assets	$ 942	-	942	-	942
Financial assets measured at amortized cost					
Cash and cash equivalents	209,721	-	-	-	-
Financial assets at amortized cost	3,825	-	-	-	-
Accounts receivables	110,373	-	-	-	-
Other receivables	93	-	-	-	-
Refundable deposits	17,910	-	-	-	-
Subtotal	341,922	-	-	-	-
Total	**$ 342,864**	**-**	**942**	**-**	**942**
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities	$ 1,572	-	1,572	-	1,572
Financial liabilities measured at amortized cost					
Short-term loans	48,366	-	-	-	-
Accounts payable	81,271	-	-	-	-
Other payables	40,397	-	-	-	-
Long-term loans	25,740	-	-	-	-
Lease liabilities	41,061	-	-	-	-
Convertible bonds payable	108,343	-	-	-	-
Subtotal	345,178	-	-	-	-
Total	**$ 346,750**	**-**	**1,572**	**-**	**1,572**

(Continued)

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	December 31, 2022				
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured of fair value through profit or loss					
Derivative financial assets	$ 135	-	135	-	135
Financial assets measured at amortized cost					
Cash and cash equivalents	172,927	-	-	-	-
Financial assets at amortized cost	3,969	-	-	-	-
Accounts receivables	77,322	-	-	-	-
Other receivables	500	-	-	-	-
Refundable deposits	21,744	-	-	-	-
Subtotal	276,462	-	-	-	-
Total	**$ 276,597**	**-**	**135**	**-**	**135**
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities	$ 1,641	-	1,641	-	1,641
Financial liabilities measured at amortized cost					
Short-term loans	42,633	-	-	-	-
Accounts payable	33,847	-	-	-	-
Other payables	28,347	-	-	-	-
Long-term loans	42,879	-	-	-	-
Lease liabilities	67,915	-	-	-	-
Convertible bonds payable	113,924	-	-	-	-
Subtotal	329,545	-	-	-	-
Total	**$ 331,186**	**-**	**1,641**	**-**	**1,641**

2) Valuation techniques and assumptions used in fair value determination

a) Non derivative financial instruments

i) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: cash and cash in the bank, accounts receivable and payable (including related parties), other receivables and payables, financial assets at amortized cost, other financial assets, refundable deposits, and short-term loans.

ii) The fair value of convertible bonds is estimated using a valuation model, but the fair value of convertible bonds is not necessarily equal to future cash outflow.

iii) The fair value of long-term loans and lease liabilities is estimated using the present value of future cash flows discounted by the interest rates the Group may obtain for similar loans and leases payable. However, the fair value of long-term loans is estimated by using its book value because most of it has floating rates. Lease liabilities are calculated based on the fixed rate agreed in the lease contract or incremental borrowing rate.

b) Derivative financial instruments

Forward exchange contracts were usually estimated by using the current forward exchange rates of the transaction banks. Foreign currency option contracts were evaluated by using the Black Scholes model provided by the transaction banks. The fair value of redemption rights and put options of the convertible bonds was estimated according to the external expert's valuation report. The valuation model is a binary tree convertible bond valuation model that uses market-based observable input values that include stock price volatility, risk-free interest rate, risk discount rate and liquidity risk to reflect the fair value of the options.

(v) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The Group's management monitors risk exposure, risk control, and the managing process and ensures appropriate handling to balance the risk and control.

The Group minimizes the risk exposure through derivative financial instruments. The management of the finance department regulates the use of derivative and non-derivative financial instruments in accordance with the Group's policy in consideration of the risks arising from financial instruments such as credit risk, currency risk, and interest rate risk to which the Group is exposed. The Group has no transactions of any derivative financial instruments of speculation.

The management reports the results of derivative financial instruments to the board of directors on a regular basis.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the financial statement analysis and external ratings, when available.

(Continued)

2) Investments

The credit risk exposure of the bank deposits and other financial instruments is measured and monitored by the Group's management. Since the Group's counterparties are banks with good credit standing, there is no significant default risk and therefore no significant credit risk.

3) Guarantees

For information on guarantees as of December 31, 2023, please refer to note 13.

(iv) Liquidity risk

Based on the management forecast about monitored working capital demand, the Group maintains sufficient funds to fulfill operational requirements and retains adequate unused credit lines to avoid violation of related terms and conditions. The forecast is in consideration of finance projects and compliance with the terms of loan agreements.

Loans and borrowings from the banks form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit line amounted to $63,148 thousand and $246,516 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and changes in equity instrument prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group buys and sells derivatives, and also incurs financial assets to manage market risks. All such transactions are carried out within the scope of the Group's internal control policy.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the USD and MYR. According to Malaysian regulations announced in December 2016, at any point in time, if any foreign exchange transactions occur, 75% of the foreign currency must be exchanged for MYR. The regulation does not have a significant impact on the Group.

To manage its future transactions and realize currency risk on assets and liabilities, the management of the Group adopts forward foreign exchange contracts to hedge the risk.

The Group uses forward foreign exchange contracts to lower its currency risk that is caused by exchange rate fluctuation and sets a stop loss point to lower its currency risk.

2) Interest rate risk

The interest rate risk is explained in the interest rate analysis in this note. The changes in interest rates do not have a significant effect on the fair value of the aforementioned financial liabilities.

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(w) Capital management

The Group manages capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group uses the debt-to-equity ratio to manage capital. This ratio is the total debt divided by the total capital. The total debt is derived from the total liabilities on the balance sheet. The total capital and equity include share capital, capital surplus, retained earnings, other equity and non-controlling interest.

The Group's collective quantitative data is as follows:

	December 31, 2023	December 31, 2022
Total liabilities	$ 363,400	353,134
Total equity	$ 431,185	425,195
Debt-to-equity ratio	84.28%	83.05%

(x) Non-cash financing activities

For the years ended December 31, 2023 and 2022 the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment and right-of-use asset through leasing. Please refer to note 6(j) for related information.

Reconciliation of liabilities from financing activities of the Company in 2023 and 2022 were as follows:

			Non-cash changes						
	January 1, 2023	Cash flows	Acquisition of contracts	Expiration and cancellation of contracts	Issuance of bonds	Repayment of bonds	Amortization of discount	Translation effect	December 31, 2023
Long-term loans	$ 42,879	(16,487)	-	-	-	-	-	(652)	25,740
Short-term loans	42,633	5,733	-	-	-	-	-	-	48,366
Lease liabilities	67,915	(24,013)	5,993	(6,340)	-	-	-	(2,494)	41,061
Convertible bonds payable	113,924	(3,209)	-	-	(10,128)	4,355	3,401	-	108,343
Total liabilities from activities	$ 267,351	(37,976)	5,993	(6,340)	(10,128)	4,355	3,401	(3,146)	223,510

			Non-cash changes				
	January 1, 2022	Cash flows	Acquisition of contracts	Conversion of bonds	Amortization of discount	Translation effect	December 31, 2022
Long-term loans	$ 63,966	(23,756)	-	-	-	2,669	42,879
Short-term loans	114,514	(71,881)	-	-	-	-	42,633
Lease liabilities	63,504	(22,768)	23,673	-	-	3,506	67,915
Convertible bonds payable	115,815	(4,800)	-	(188)	3,097	-	113,924
Total liabilities from activities	$ 357,799	(123,205)	23,673	(188)	3,097	6,175	267,351

(Continued)

(7) Related-party transactions

(a) Names and relationships with related parties

The following are entities that have had transactions with related parties during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Eng Say Kaw	Management of the Company
Eng Kai Pin	Management of the Company
Eng Kai Jie	Management of the Company
Eng Kai Jian	Management of the Company
Yee Foo Chong	Management of the Company
Tey Pek Kiang	Management of the Company
Lim Swee Soon	Management of the Company
Hock Guan Seng Sdn Bhd	Other related parties

(b) Significant transactions with related parties

(i) Purchase and operating costs

Purchase and commission-related parties for processing

	2023	2022
Other related parties	$ 442	45,487

There is no significant difference on the processing cost, purchase price and payment terms between other related parties and other suppliers.

(ii) Payables

The details of the Group's accounts payable to related parties from commission for processing and purchase are as follows:

Account	Relationship	December 31, 2023	December 31, 2022
Other payables	Other related parties	-	123

(iii) Property transactions－disposals of property, plant and equipment

The disposals of property, plant and equipment to related parties were summarized as follows:

	2023		2022	
Relationship	**Disposal price**	**Gain (loss) from disposal**	**Disposal price**	**Gain (loss) from disposal**
Other related parties	$ -	-	48	-

The Group sold office equipment and transportation equipment to other related parties in June and August 2022 with a total amount of $48 thousand. The proceeds were received on December 31, 2022. There were no property transactions in 2023.

(iv) Guarantee

For the years ended December 31, 2023 and 2022, Eng Say Kaw, Eng Kai Pin, Eng Kai Jie, Eng Kai Jian, Yee Foo Chong, Tey Pek Kiang and Lim Swee Soon are the joint guarantors providing credit guarantees to the Group for forward transactions, loans and leases.

(c) Management personnel compensation

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	$ 18,348	19,451
Post-employment benefits	1,671	2,048
	$ 20,019	21,499

For the years ended December 31, 2023 and 2022, the costs of motor vehicles offered for management use by the Group were $19,875 thousand (MYR 2,909 thousand) and $20,570 thousand (MYR 3,039 thousand), respectively.

(8) Pledged assets:

Pledged assets	Object	December 31, 2023	December 31, 2022
Financial assets at amortized cost－non-current			
Restricted time deposit	Long-term and short-term loans	$ 3,825	3,969
Property, plant and equipment:			
Land	Long-term and short-term loans	16,707	17,473
Building and constructions	Long-term and short-term loans	48,098	35,495
Machinery and equipment	Long-term loans	11,371	13,564
Transportation equipment	Long-term loans	3,479	-
Total		$ 83,480	70,501

(9) Commitments and contingencies: None

(10) Losses due to major disasters: None

(11) Subsequent events: None

(Continued)

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Notes to Consolidated Interim Financial Statements

(12) Other:

A summary of personnel costs, depreciation, depletion and amortization is as follows:

Function / Account	2023 Operating cost	2023 Operating expenses	2023 Total	2022 Operating cost	2022 Operating expenses	2022 Total
Personnel costs						
Salaries	123,637	42,996	166,633	103,444	43,472	146,916
Health insurance	1,542	472	2,014	1,233	415	1,648
Pension	1,494	4,693	6,187	1,889	4,884	6,773
Other personnel expense	1,175	556	1,731	1,213	568	1,781
Depreciation	32,666	3,519	36,185	32,516	3,741	36,257
Amortization	-	24	24	-	44	44

(13) Other disclosures:

(a) Information on significant transactions:

The following was the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2023:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Maximum balance of financing to other parties during the period	Ending balance	Actual usage amount during the period (note 3)	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt (note 3)	Collateral Item	Collateral Value	Individual funding loan limits (note 2)	Maximum limit of fund financing (note 2)
1	TC	The Company	Other receivables	Yes	56,932 (MYR8,500)	20,094 (MYR3,000)	8,707 (MYR1,300)	4.0	2	-	Operating capital	-		-	1,507,794	1,507,794
1	TC	TCH	Other receivables	Yes	3,684 (MYR550)	3,684 (MYR550)	3,684 (MYR550)	2.7	2	-	Operating capital	3,684		-	1,507,794	1,507,794
1	TC	EHL	Other receivables	Yes	40,187 (MYR6,000)	40,187 (MYR6,000)	40,187 (MYR6,000)	4.0	2	-	Operating capital	-		-	150,779	201,039
1	TC	ESKB	Other receivables	Yes	6,698 (MYR1,000)	4,354 (MYR650)	4,354 (MYR650)	4.0	2	-	Operating capital	-		-	1,507,794	1,507,794

Note 1: The nature of financing is classified as follows:

1. business-related.
2. short-term financing

Note 2: According to TC's policy on loans granted for others, the maximum aggregate amount of loans granted and individual loans granted by TC shall not exceed 40% and 30%, respectively. For entities in which the Company, directly or indirectly, owned more than 100% of their shares, the amount available for financing shall not exceed 300% of the net worth of the lending Company.

Note 3: Transactions within the Group have been eliminated in the preparation of the consolidated financial statements.

Note 4: Calculated with the year-end exchange rate (MYR:NTD＝1: 6.6979).

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company (note 1)	Limitation on amount of guarantees and endorsements for a specific enterprise (note 2)	Maximum balance for guarantees and endorsements during the period (note 3)	Balance of guarantees and endorsements as of reporting date (note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2)	Guarantee provided by parent company	Guarantee provided by subsidiaries	Guarantee for companies in China area
1	TC	EHL	3	201,039	97,300 (MYR14,527)	97,300 (MYR14,527)	60,395 (MYR9,017)	-	19.36%	251,300	N	N	N
1	TC	ESKB	1	201,039	2,793 (MYR417)	2,793 (MYR417)	2,793 (MYR417)	-	0.56%	251,300	N	N	N
1	TC	ESKW	1	201,039	35,465 (USD500; MYR3,000)	35,465 (USD500: MYR3,000)	18,901 (USD2,822)	-	7.06%	251,300	N	N	N

Note 1: The relationship between guarantor and guarantee is as follows:

1. A subsidiary whose common stock is more than 50% owned by the guarantors.
2. For entities in which the Company, directly or indirectly, owned more than 90% of their shares.
3. For entities that do business with the Company.

Note 2: The following are in accordance with the internal control policy "Policy and Procedures for Loaning of Funds and Making of Endorsement/Guarantees":

1. The overall guarantee amounts and guarantee provided to any individual company shall not exceed 50% and 40% of the net worth of the endorsement / guarantee provider's latest financial statements.
2. the aggregate endorsement/ guarantees amount and the maximum amount permitted to any single entity shall not exceed 50% and 40%, respectively, of the net worth on the latest financial statements of the Company.

Note 3: Calculated with year-end exchange rate was (USD: NTD＝1:30.7434; MYR: NTD＝1:6.6979).

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(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with an amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with an amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Information regarding trading in derivative financial instruments: Please refer to notes 6(b) and 6(l).

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	TC	The Company	3	Other receivables	8,773	Loans and payment on behalf by TC, no available comparisons. The mutual negotiable terms and conditions.	1.10%
1	TC	EHL	2	Other receivables	40,518	Loans, no available comparisons. The mutual negotiable terms and conditions.	5.10%
1	EHL	TC	2	Revenue	18,262	The Price was calculated by the mutual negotiable prices.	1.81%

Note 1: the numbering is as follows

1. 0 represents the parent company.
2. 1 and thereafter subsidiary companies.

Note 2: the nature of the relationship is as follows

1. Parent company to subsidiary company
2. Subsidiary company to subsidiary company
3. Subsidiary company to parent company

Note 3: other receivables include loans, receivable interest, and payments made on behalf.

Note 4: The account should be disclosed if the amount is over 1% of the total assets from the statement of financial position and total operating revenue from the statement of comprehensive income.

Note 5: The mentioned transactions between the Group's subsidiaries have been eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value (Notes 1 and 2)			
The Company	TC	Malaysia	Furniture manufacturing and sales	77,137	77,137	10,000,000	100.00%	502,597	12,466	12,466	Subsidiary
The Company	TCH	Malaysia	Furniture manufacturing and sales	13,842	13,842	2,000,000	100.00%	702	(74)	(74)	Subsidiary
The Company	EHL	Malaysia	Kitchen cabinet manufacturing and sales	105,008	105,008	32,211,111	89.20%	29,429	(22,398)	(19,979)	Subsidiary
TC	ESKB	Malaysia	Wood pellet manufacturing and sales, leasing machinery and equipment	56,884	56,884	8,000,012	100.00%	29,537	964	964	Sub-subsidiary
TCH	TCH(US)	United States	Management Consultant	3	3	100	100.00%	774	(4)	(4)	Sub-subsidiary
ESKB	ESKW	Malaysia	Rubberwood processing and sales	22,512	22,512	3,000,000	100.00%	29,981	1,113	1,113	Sub-subsidiary

Note 1: Investment gains (losses) have been recognized by the equity method based on the financial statements of the investee companies audited by the Company's auditor.

Note 2: The long-term investment and investment gain or loss have been eliminated in the preparation of the consolidated financial statements.

(Continued)

(c) Information on investment in mainland China: None

(d) Major shareholders:

Unit: share

Shareholding / Shareholder's Name	Shares	Percentage
Eng Synergy Management Sdn. Bhd.	11,700,000	34.17%
Surging Success Sdn. Bhd.	2,285,000	6.67%
Eng Say Kaw	2,205,109	6.44%
Only Inspiration Sdn. Bhd.	1,737,000	5.07%

Note: (1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.

(2) If the aforementioned data contained shares that were kept in trust by the shareholders, the data disclosed will be deemed as the settlor's separate account for the fund set by the trustee. As for the shareholder who reports its share equity as an insider and whose shareholding ratio is greater than 10% in accordance with the Securities and Exchange Act, its shares should include its self-owned shares and trusted shares, as well as the shares of the individuals who have the power to decide how to allocate the trust assets. For the information on reported share equity of the insider, please refer to the Market Observation Post System.

(3) The shareholding ratio is calculated by unconditionally rounding it down to two decimal places.

(14) Segment information:

(a) General information

The Group's reportable segments are A, B, C, and D. Segment A is involved in the manufacturing and sale of bedroom furniture, segment B in the manufacturing and sale of kitchen cabinets, segment C in the manufacturing and sale of rubber wood, and segment D, starting in 2023, has shifted its primary operating activities from wood pellet manufacturing and sales to leasing.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report, which the chief operating decision maker reviews, as the basis to determine resource allocation and make a performance evaluation. The Group's operating segments' profits and losses are measured based on the income before income tax. The amount reported should be consistent with the report used by the chief operating decision maker.

The measured amount of assets and liabilities of the Group's reportable segments has not yet been reported to the operating decision-makers.

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The Group's operating segment information and reconciliation are as follows:

	2023					
	Segment A	**Segment B**	**Segment C**	**Segment D**	**Adjustments and eliminations**	**Total**
Revenue						
Revenue from external customers	$ 879,877	72,311	56,330	1,280	-	1,009,798
Intersegment revenues	-	18,262	14,886	-	(33,148)	-
Interest revenue	4,286	45	-	-	(3,127)	1,204
Total revenue	$ 884,163	90,618	71,216	1,280	(36,275)	1,011,002
Interest Expense	$ 8,471	4,347	375	211	(3,125)	10,279
Depreciation and Amortization	$ 18,687	15,820	696	1,006	-	36,209
Reportable segment profit or loss	$ (5,470)	(29,741)	2,122	(148)	-	(33,237)

	2022					
	Segment A	**Segment B**	**Segment C**	**Segment D**	**Adjustments and eliminations**	**Total**
Revenue						
Revenue from external customers	$ 835,568	263,942	54,905	-	-	1,154,415
Intersegment revenues	289	509	5,924	-	(6,722)	-
Interest revenue	2,626	50	-	-	(2,152)	524
Total revenue	$ 838,483	264,501	60,829	-	(8,874)	1,154,939
Interest Expense	$ 7,794	4,994	312	241	(2,154)	11,187
Depreciation and Amortization	$ 17,789	17,107	394	1,011	-	36,301
Reportable segment profit or loss	$ 74,295	(27,501)	2,780	(1,330)	-	48,244

(c) Product and service information

Revenue from external customers of the Group was as follows:

Products and Services	**2023**	**2022**
Furniture manufacturing and sales	$ 879,877	835,568
Kitchen cabinet manufacturing and sales	72,311	263,942
Rubberwood processing and sales	56,330	54,905
Rental income	1,280	-
Total	$ 1,009,798	1,154,415

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Geographic information

Export sales revenue by country is based on the billing location of the customer, and non-current assets by location are based on where the assets are located. The information was as follows:

Export sales

Region		2023	2022
United States	$	910,364	1,010,971
Malaysia		66,223	82,560
Other		33,211	60,884
Total	$	1,009,798	1,154,415

Non-current Assets

Region		December 31, 2023	December 31, 2022
Malaysia	$	188,647	222,797

Non-current assets include property, plant and equipment, right-or-use assets, intangible assets, and prepayment for equipment, not including financial assets measured at amortized cost, deferred tax assets and refundable deposits.

(e) Information on major customers whose revenue exceeded 10% of the Group's operating revenue was as follows:

		2023	2022
Customer C	$	297,379	165,706
Customer A		210,750	267,941
Customer D		171,306	-
Customer B		-	254,229
Total	$	679,435	687,876

Note: Any single customer whose annual consolidated revenue does not exceed 10% will not be disclosed.